

## Marshfield Housing Opportunity Purchase Program

### Definition of Assets

The value of necessary items of personal property, such as furniture or automobiles shall be excluded. Determination of assets shall be based upon a full and fair present cash value of the asset at the time of application to the program. If a potential purchaser divests himself or herself of an asset for less than full and fair present cash value of the asset within one year prior to application, the full and fair cash value of the asset at the time of its disposition must be declared and shall be included for purposes of calculating eligibility.

#### **Household Assets include the following:**

- 1. Cash held in savings and checking accounts, safe deposit boxes, homes, etc.** For savings accounts, use the current balance. For checking accounts, use the average balance for the last six months. Assets held in foreign countries are considered assets.
- 2. Revocable trusts:** The cash value of any revocable trust available to the applicant.
- 3. Equity in rental property or other capital investments:** The current fair market value less (a) any unpaid balance on any loans secured by the property and (b) reasonable costs that would be incurred in selling the asset (e.g., penalties, broker fees, etc.).
- 4. Stocks, bonds, Treasury bills, certificates of deposit, mutual funds, and money market accounts:** The value of stocks and other assets vary from one day to another and should be determined within a reasonable time in advance of the applicant's submission of an application to participate in the subject housing program.
- 5. Individual retirement, 401K, and Keogh accounts:** When the holder has access to the funds, even though a penalty may be assessed. If the applicant is making occasional withdrawals from the account, determine the amount of the asset by using the average balance for the previous six months. (Do not count withdrawals as income.)
- 6. Retirement and pension funds.**
  - a. While the person is employed: Amounts the applicant can withdraw without retiring or terminating employment. Count the whole amount less any penalties or transaction costs.
  - b. At retirement, termination of employment, or withdrawal: Periodic receipts from pension and retirement funds are counted as income. Lump-sum receipts from pension and retirement funds are counted as assets. Count the amount as an asset or as income, as provided below. If benefits will be received in a lump sum, include the lump-sum receipt in net household assets. If benefits will be received through periodic payments, include the benefits in annual income. Do not count any remaining amounts in the account as an asset.

If the applicant initially receives a lump-sum benefit followed by periodic payments, count the lump-sum benefit as an asset as provided in the example below and treat the periodic payment as income. In subsequent years, count only the periodic payment as income. Do not count the remaining amount as an asset.

**NOTE:** This paragraph assumes that the lump-sum receipt is a one-time receipt and that it does not represent delayed periodic payments. However, in situations in which a lump-sum payment does represent delayed periodic payments, then the amount would be considered as income and not an asset.

7. **Cash value of life insurance policies available to the applicant before death (e.g., the surrender value of a whole life policy or a universal life policy):** It would not include a value for term insurance, which has no cash value to the applicant before death.
8. **Personal property held as an investment:** Gems, jewelry, coin collections, or antique cars held as an investment. Personal jewelry is NOT considered an asset.
9. **Lump-sum receipts or one-time receipts:** Inheritances, capital gains, one-time lottery winnings, victim's restitution, settlements on insurance claims (including health and accident insurance, worker's compensation, and personal or property losses), and any other amounts that are not intended as periodic payments.
10. **A mortgage or deed of trust held by an applicant:** Payments on this type of asset are often received as one combined payment of principal and interest with the interest portion counted as income from the asset. This combined figure needs to be separated into the principal and interest portions of the payment. (This can be done by referring to an amortization schedule that relates to the specific term and interest rate of the mortgage.)

To count the actual income for this asset, use the interest portion due, based on the amortization schedule, for the 12-month period following the certification. To count the imputed income for this asset, determine the asset value at the end of the 12-month period following the certification.

11. **A life estate:** A life estate is an interest in real property which entitles the life tenant to benefit from the property until his or her death. Usually, the life tenant is entitled to the use of a house for life and may be entitled to sell his or her interest. This right is of value to the life tenant, but it is rarely sold on an open market. (Purchasers of real property would typically not be tempted by such an uncertain term of ownership.)

The value of an applicant's life estate is included when calculating his or her assets based upon the Internal Revenue Service's latest guidance to determine the value of life estates (see Internal Revenue Service Publication 1457, "Actuarial Values, Book Aleph," (7-1999).

**Household Assets DO NOT include the following:**

1. Personal property (clothing, furniture, cars, wedding ring, other jewelry that is not held as an investment, vehicles specially equipped for persons with disabilities).
2. Interests in Indian trust land.
3. Term life insurance policies (i.e., where there is no cash value).
4. Equity in the cooperative unit in which the applicant lives.
5. Assets that are part of an active business: "Business" does NOT include rental of properties that are held as investments unless such properties are the applicant's main occupation.
6. Assets that are NOT effectively owned by the applicant: Assets are not effectively owned when they are held in an individual's name, but (a) the assets and any income they earn accrue to the benefit of someone else who is not the applicant, and (b) that other person is responsible for income taxes incurred on income generated by the assets.